GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2800
ANSWERED ON:29.08.2012
RESCHEDULING OF CENTRAL LOANS
Kodikunnil Shri Suresh

Will the Minister of FINANCE be pleased to state:

(a) the current status of implementation of the proposal of Twelfth Finance Commission for rescheduling of outstanding central loans, State-wise;

(b) the problems likely to be faced by the financially weaker States including Kerala in raising loans at standard rates following the Twelfth Finance Commission Award;

(c) the likely adverse impact on the plan expenditure of the States on account of their inability to raise the required funds; and

(d) the measures the Union Government proposes to take to tackle the problem?

Answer

Minister of State in the Ministry of Finance (SHRI NAMO NARAIN MEENA)

(a): Under the recommendations of the Twelfth Finance Commission (TFC), central loans from Ministry of Finance amounting to Rs.1,13,601 crore of 26 States that enacted their Fiscal Responsibility and Budget Management Acts during TFC award period, were consolidated for a fresh tenure of 20 years at an interest rate of 7.5% per annum under Debt Consolidation and Relief Facility (DCRF). Further, as recommended by the Thirteenth Finance Commission, the central loans amounting to Rs.8,747 crore, from Ministry of Finance of the remaining two States were consolidated in 2010-11 under DCRF, after enactment of FRBMA by these States. State-wise details of loans consolidated are annexed.

(b) to (d) : Following the recommendations of TFC, intermediation of states' borrowings by Government of India has been stopped from 2005-06. All State Governments raise State Developmental Loans (SDL) loans within the net annual borrowing ceiling, fixed as per Finance Commissions' recommendations, directly from the market at coupon rates determined by the market. The States, including Kerala have been raising loans from the market within the annual borrowing ceiling.